

**SUBJECT TO CONFIDENTIAL TREATMENT UNTIL
April 5, 2017**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2016-00302

March 22, 2017

COMMISSION INITIATED STANDARD
OFFER BIDDING PROCEDURE
FOR EMERA MAINE-MPD LARGE
COMMERCIAL AND INDUSTRIAL CLASS
PERTAINING TO EMERA MAINE

ORDER DESIGNATING
STANDARD OFFER
PROVIDER

VANNOY, Chairman; McLEAN and WILLIAMSON, Commissioners

I. SUMMARY

Through this Order, we set standard offer prices for Emera Maine- Maine Public District (EME-MPD) large commercial and industrial customer class for retail standard offer service for a term of thirty-three (33) months, beginning on April 1, 2017 and ending on December 31, 2019. The price for this class will be \$0.08325 per kWh, subject to possible quarterly adjustments as set forth in more detail below.

II. BACKGROUND

On January 10, 2017, the Commission issued an order, approving the Request for Proposals to Provide Standard Offer Service (RFP) and associated procedures for the Emera EME-MPD large commercial and industrial customer class. The Commission received no indicative bids in response to the RFP.

On February 24, 2017, the Commission directed EME-MPD to submit a plan to the Commission addressing the provision of service to the large commercial and industrial standard offer class during the period of April 1, 2017 through December 31, 2019. On March 8, 13, 17, 20, and 21, 2017, EME-MPD submitted responsive filings to the Commission's February 24, 2017 order.

After a series of revisions to its proposal, EME-MPD proposes a price of \$0.08325/kWh for standard offer service for the large commercial and industrial class effective on April 1, 2017, subject to potential adjustments on a quarterly basis for any differences between expected and actual costs to serve the class. EME-MPD would carry any cost differences in an over-or-under account, and file quarterly status reports regarding the balance in the account for the purpose of determining whether the Commission should reset the rate. EME-MPD states it will establish this accounting mechanism and use the historic usage in this class for the corresponding three months in order to calculate a potential \$/kWh addition or reduction to the next period's rate. EME-MPD states it is able to submit reports reflecting three quarters in 2017, and four quarters in both 2018 and 2019. EME-MPD commits to provide the balance immediately following the end of each quarter, once load

settlement information is available, and it states these reports will be available within three weeks of the calendar quarter end dates. EME-MPD proposes that the over-or-under balances be rolled into the subsequent period's retail standard offer rate for the MPD large class only, when they are material but not sooner than a quarterly basis, as determined by the Commission.

EME-MPD proposes that any final balance in the over-or-under account as of December 31, 2019, and resulting cost/kWh based upon fourth quarter 2019 usage will be provided to the Commission to include in the next RFP for the MPD large class as a requirement for the subsequent standard offer provider to include in the retail supply rate for this class starting in some period in 2020 as determined by the Commission.

Additionally, EME-MPD proposes that its administrative costs, namely third party costs to administer the schedule and to perform marketing functions as well as in-house labor costs associated with administering this standard offer service, be tracked and subsequently included in stranded cost to be shared by all large class customers, not just those on standard offer. It proposes EME-MPD track these costs in the form of a regulatory asset and request recovery of these in the annual stranded cost reconciliation process, to be applied to the EME-MPD large customers. Emera Maine estimates the administrative costs to be between approximately \$100,000 within a +/- 20% range.

With regard to third party costs to administer the schedule and to perform marketing functions, EME-MPD intends to engage the services of International Energy Partners (IEP) to assist with the market functions of the standard offer supplier. EME-MPD anticipates that it would recover the administrative costs of engaging IEP through the large customer stranded cost method outlined above.

As to suppliers, EME-MPD intends to enter into a contract with Algonquin Energy Services to perform its duties as standard offer provider if the Commission approves EME-MPD's plan. However, the supplier agreement would only provide for 1 MW of energy and capacity thus, EME-MPD may need to execute other supplier agreements over the course of the proposed term if additional customers migrate into this class.

III. DECISION

Consistent with the requirements of chapter 301, section 8(D)(3) of the Commission's rules, the Commission approves EME-MPD's proposal to provide retail standard offer services to the large commercial and industrial customer class, and sets a price of \$0.08325/kWh for this class effective April 1, 2017. The standard offer price is subject to periodic adjustments on not more often than a quarterly basis through the remainder of the term, which extends through December 31, 2019. Consistent with its proposal, EME-MPD is directed establish an accounting mechanism to track any differences between its estimated and actual costs to provide standard offer service, and report balances on a quarterly basis for the Commission to determine whether a \$/kWh addition or reduction to the next period's retail standard offer rate for the MPD large class is warranted. To facilitate this tracking process, EME-MPD is directed to provide a report by April 5, 2017 that details its current estimate for each of the cost components that comprise the \$0.08325/kWh standard offer service price. The tracking mechanism shall reflect these

same costs for the purpose of determining the over-or-under amounts that will provide the basis for any price adjustments. EME-MPD shall submit three quarterly reports for 2017 and four quarterly reports for 2018 and 2019, within three weeks of the calendar quarter end dates. The Commission delegates to the Director of Electricity and Gas Utility Industries the authority to review the quarterly reports and determine any price adjustments.

EME-MPD shall provide an estimate of the projected final balance in the over-or-under account as of December 31, 2019 on or before September 1, 2019, as well as the actual final balance within three weeks after December 31, 2019. The treatment of the final balance will be determined by the Commission at that time.

The Commission will allow EME-MPD to recover, through full reconciliation, all of its prudently incurred incremental costs of providing standard offer service to the large class pursuant to this order. We note that EME-MPD is expected to procure standard offer supply in a reasonable and prudent manner to minimize the costs and risks to ratepayers. EME-MPD may procure the supply on its own or contract with another entity to provide the service, and may also contract with a third party to assist it in its standard offer provider duties. While EME-MPD may recover certain administrative costs, the Commission will review the nature of those costs in the stranded costs proceeding or proceedings.

Accordingly, the Commission establishes the standard offer price for MPD-EME large standard offer class effective on April 1, 2017 to be \$0.08325, subject to the possible quarterly adjustments as described in this order.

Dated at Hallowell, Maine, this 22nd day of March, 2017.

BY ORDER OF THE COMMISSION

/s/Harry Lanphear

Harry Lanphear
Administrative Director

COMMISSIONERS VOTING FOR: Vannoy
Williamson

COMMISSIONERS ABSENT: McLean

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 11(D) of the Commission's Rules of Practice and Procedure (65-407 C.M.R. 110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought. Any petition not granted within 20 days from the date of filing is denied.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.